

**SUMMARY OF MAJOR CHANGES TO  
DOD 7000.14R, VOLUME 6B, CHAPTER 8  
STATEMENT OF FINANCING**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision

<b>PARA</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
<b>Figure 8-1 Figure 8-2</b>	<b>Revises combined and combining report formats to agree with Office of Management and Budget (OMB) Bulletin No. 01-09.</b>	<b>Updated</b>
<b>Figure 8-1 Figure 8-2</b>	<b>Revises line 27 to separately report trust fund exchange revenue, cost of goods sold and operating material and supplies used.</b>	<b>Added</b>
<b>080201.C</b>	<b>Explains options for computing values of lines related to changes in unfunded and actuarial liabilities.</b>	<b>Added</b>
<b>080202</b>	<b>Revises verbatim statement instructions for each line.</b>	<b>Updated</b>
<b>080202</b>	<b>Deletes the Statement of Financing crosswalk, Appendix G. Adds the reference to locate the crosswalk at Treasury's web site.</b>	<b>Updated</b>

**TABLE OF CONTENTS**

**STATEMENT OF FINANCING**

0801	Format for the Statement of Financing
★0802	Instructions for the Preparation of the Statement of Financing

**CHAPTER 8****STATEMENT OF FINANCING****0801 FORMAT FOR THE STATEMENT OF FINANCING**

080101. Format for the Working Version Combined Comparative Statement of Financing. The format presented in Figure 8-1 has been revised to agree with the Office of Management and Budget (OMB) Bulletin No. 01-09, “Form and Content of Agency Financial Statements.” Use this format and display amounts in dollars and cents, as shown in Figure 8-1, for all Department of Defense (DoD) working versions. Include line numbers on the working version of the statements.

080102. The Working Version Combining Comparative Statement of Financing. The format presented in Figure 8-2 has been revised to agree with OMB Bulletin No. 01-09. Use this format and display amounts in dollars and cents, as shown in Figure 8-2, for all DoD working versions. Include line numbers on the working version of statements.

080103. Published Statement of Financing Format. Display dollars rounded to the nearest million with one decimal point for all DoD agency wide published statements (and the notes to the principal statements). Display all Component statements and footnotes in dollar amounts rounded to the nearest whole thousand on the final published principal statements. Report accounting activities amounts as dollars and cents on all versions of the statements and footnotes prior to submission by the entity to avoid excessive workload associated with rounding. These statements and footnotes are referred to as working versions of the final audited financial statements to the Office of the Deputy Chief Financial Officer, Accounting and Finance Policy and Analysis Directorate (ODCFO (A&FP&A)).

<b>REPORTING ENTITY</b> <b>COMBINED STATEMENT OF FINANCING</b> <b>Year Ended September 30, 2003 and 2002</b>		
(Amounts in dollars and cents)	2003	2002
<i>Resources Used to Finance Activities:</i>		
Budgetary Resources Obligated		
1. Obligations incurred	\$ 555.60	\$ 444.50
2. Less: Spending authority from offsetting collections and recoveries (-)	(222.20)	(111.10)
3. Obligations net of offsetting collections and recoveries	333.40	333.40
4. Less: Offsetting receipts (-)	(111.10)	(50.00)
5. Net obligations	222.30	283.40
Other Resources		
6. Donations and forfeitures of property	444.40	333.30
7. Transfers in/out without reimbursement (+/-)	(133.30)	(222.20)
8. Imputed financing from costs absorbed by others	111.10	50.00
9. Other (+/-)	555.20	111.10
10. Net other resources used to finance activities	977.40	272.20
11. <i>Total resources used to finance activities</i>	1,199.70	555.60
<i>Resources Used to Finance Items not Part of the Net Cost of Operations:</i>		
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
12a. Undelivered Orders (-)	(222.20)	(50.00)
12b. Unfilled Customer Orders	111.10	100.00
13. Resources that fund expenses recognized in prior periods	(333.30)	(222.20)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	222.20	111.10
15. Resources that finance the acquisition of assets	(100.00)	(50.00)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations		
16a. Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget (-)	444.40	333.30
16b. Other (+/-)	333.30	222.20
17. <i>Total resources used to finance items not part of the net cost of operations</i>	455.50	444.40
18. <i>Total resources used to finance the net cost of operations</i>	\$ 744.20	\$ 111.20

Figure 8-1

<b>DEPARTMENT OF DEFENSE</b> <b>[REPORTING ENTITY]</b> <b>COMBINED STATEMENT OF FINANCING</b> <b>Year Ended September 30, 2003 and 2002</b>		
(Amounts in dollars and cents)	2003	2002
<i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>		
<i>Components Requiring or Generating Resources in Future Periods:</i>		
19. Increase in annual leave liability	111.10	100.00
20. Increase in environmental and disposal liability	222.20	200.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	(333.30)	(222.20)
22. Increase in exchange revenue receivable from the public (-)	100.00	95.00
23. Other (+/-)	111.10	100.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	211.10	272.80
<i>Components not Requiring or Generating Resources:</i>		
25. Depreciation and amortization	111.10	100.00
26. Revaluation of assets or liabilities (+/-)	222.20	111.10
27. Other (+/-)		
27a. Trust Fund Exchange Revenue	(200.00)	(200.00)
27b. Cost of Goods Sold	25.00	25.00
27c. Operating Material & Supplies Used	25.00	25.00
27d. Other	50.00	55.00
28. Total components of Net Cost of Operations that will not require or generate resources	233.30	116.10
29. <i>Total components of net cost of operations that will not require or generate resources in the current period</i>	444.40	388.90
30. <i>Net Cost of Operations</i>	\$ 1,188.60	\$ 500.10
Accompanying notes are an integral part of these financial statements.		

Figure 8-1 (continued)

DEPARTMENT OF DEFENSE [REPORTING ENTITY] COMBINING STATEMENT OF FINANCING Year Ended September 30, 2003 and 2002					
(Amounts in dollars and cents)				2003	2002
	Subentity A	Subentity B	Subentity C	Combined	Combined
<i>Resources Used to Finance Activities:</i>					
Budgetary Resources Obligated					
1. Obligations incurred	\$ 185,200.00	\$ 185,200.00	\$ 185,200.00	\$ 555,600.00	\$ 500,000.00
2. Less: Spending authority from offsetting collections and recoveries (-)	(74,000.00)	(74,100.00)	(74,100.00)	(222,200.00)	(200,000.00)
3. Obligations net of offsetting collections and recoveries	111,200.00	111,100.00	111,100.00	333,400.00	300,000.00
4. Less: Offsetting receipts (-)	(37,000.00)	(37,000.00)	(37,000.00)	(111,000.00)	(100,000.00)
5. Net obligations	74,200.00	74,100.00	74,100.00	222,400.00	200,000.00
Other Resources					
6. Donations and forfeitures of property	74,000.00	74,100.00	74,100.00	222,200.00	200,000.00
7. Transfers in/out without reimbursement (+/-)	(74,000.00)	(74,000.00)	(74,000.00)	(222,000.00)	(200,000.00)
8. Imputed financing from costs absorbed by others	74,000.00	74,000.00	74,000.00	222,000.00	200,000.00
9. Other (+/-)	111,100.00	111,100.00	111,100.00	333,300.00	300,000.00
10. Net other resources used to finance activities	185,100.00	185,200.00	185,200.00	555,500.00	500,000.00
11. Total resources used to finance activities	259,300.00	259,300.00	259,300.00	777,900.00	700,000.00
<i>Resources Used to Finance Items not Part of the Net Cost of Operations:</i>					
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided					
12a. Undelivered Orders (-)	(100,000.00)	(100,000.00)	(100,000.00)	(300,000.00)	(290,000.00)
12b. Unfilled Customer Orders	74,100.00	74,100.00	74,100.00	222,300.00	200,000.00
13. Resources that fund expenses recognized in prior periods	(37,000.00)	(37,000.00)	(37,000.00)	(111,000.00)	(100,000.00)
14. Budgetary offsetting collections and receipts that do not affect net cost of operations	37,000.00	37,000.00	37,000.00	111,000.00	100,000.00
15. Resources that finance the acquisition of assets	(74,100.00)	(74,100.00)	(74,100.00)	(222,300.00)	(200,000.00)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations					
16a. Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget (-)	25,000.00	25,000.00	25,000.00	75,000.00	70,000.00
16b. Other (+/-)	20,000.00	20,000.00	20,000.00	60,000.00	55,000.00

Figure 8-2

DEPARTMENT OF DEFENSE [REPORTING ENTITY] COMBINING STATEMENT OF FINANCING Year Ended September 30, 2003 and 2002					
(Amounts in dollars and cents)					
	Subentity A	Subentity B	Subentity C	2003 Combined	2002 Combined
17. Total resources used to finance items not part of the net cost of operations	(55,000.00)	(55,000.00)	(55,000.00)	(165,000.00)	(165,000.00)
18. Total resources used to finance the net cost of operations	204,300.00	204,300.00	204,300.00	612,900.00	535,000.00
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period: Components Requiring or Generating Resources in Future Periods:					
19. Increase in annual leave liability	74,000.00	74,100.00	74,100.00	222,200.00	200,000.00
20. Increase in environmental and disposal liability	37,000.00	37,000.00	37,000.00	111,000.00	100,000.00
21. Upward/Downward reestimates of credit subsidy expense (+/-)	(37,000.00)	(37,000.00)	(37,000.00)	(111,000.00)	(100,000.00)
22. Increase in exchange revenue receivable from the public (-)	(55,000.00)	(55,000.00)	(55,000.00)	(165,000.00)	(150,000.00)
23. Other (+/-)	60,000.00	60,000.00	60,000.00	180,000.00	160,000.00
24. Total components of Net Cost of Operations that will require or generate resources in future periods	79,000.00	79,100.00	79,100.00	237,200.00	210,000.00
Components not Requiring or Generating Resources:					
25. Depreciation and amortization	74,100.00	74,100.00	74,100.00	222,300.00	220,000.00
26. Revaluation of assets or liabilities (+/-)	54,000.00	54,000.00	54,000.00	162,000.00	160,000.00
27. Other (+/-)					
27a. Trust Fund Exchange Revenue	(80,000.00)	(80,000.00)	(80,000.00)	(240,000.00)	(260,000.00)
27b. Cost of Goods Sold	4,000.00	4,000.00	4,000.00	12,000.00	30,000.00
27c. Operating Material & Supplies Used	1,500.00	1,500.00	1,500.00	4,500.00	10,000.00
27d. Other	500.00	500.00	500.00	1,500.00	10,000.00
28. Total components of Net Cost of Operations that will not require or generate resources	54,100.00	54,100.00	54,100.00	162,300.00	170,000.00
29. Total components of net cost of operations that will not require or generate resources in the current period	133,100.00	133,200.00	133,200.00	399,500.00	380,000.00
30. Net Cost of Operations	\$ 337,400.00	\$ 337,500.00	\$ 337,500.00	\$ 1,012,400.00	\$ 915,000.00
Accompanying notes are an integral part of these financial statements.					

Figure 8-2 (continued)

0802 INSTRUCTIONS FOR THE PREPARATION OF THE STATEMENT OF FINANCING080201. General Instructions

★ A. Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources, requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity. The Statement of Financing is the mechanism to accomplish this reconciliation. It provides information on the total resources used by an agency and explain how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's net cost of operations. Budgetary resources reported in this statement are those resources as defined in OMB Circular A-11 and reported on the Statement of Budgetary Resources. Other resources reported in this statement are also reflected in the Statement of Changes in Net Position. The Statement of Financing is the bridge between budgetary and financial (proprietary) accounting. As such, it is designed to facilitate the reconciliation of accrual-based amounts used in the Statement of Net Cost and obligation-based amounts used in the Statement of Budgetary Resources. The computation and presentation of items in the Statement of Financing demonstrate that the budgetary and proprietary information in an entity's financial management systems agree. Defense Departmental Reporting System (DDRS) has automated Statement of Financing reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data. The Defense Finance and Accounting Service publishes the Section V Reconciliations quarterly under separate guidance. The Statement of Financing calculation uses pre-closing USSGL balances. Most entity transactions affect both budgetary and proprietary accounts. Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts (e.g., accrual of unfunded environmental and disposal liabilities which are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts).

★ B. Preparers of financial statements have the flexibility as to the level of detail presented, i.e., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts. The Office of Management and Budget (OMB) requires a consolidated Statement of Financing though the budgetary information used to calculate net obligations (lines 1-4) must be presented on a combined basis in the Statement of Financing to enable a direct tie to the Statement of Budgetary Resources. DoD prepares combined and combining Statement of Financing. The statements shall be appropriately titled as such. Note 22 discloses that intra-entity transactions have not been eliminated. Note 22 also provides other material information pertinent to the Statement of Financing.

★ C. Treasury's guidance on the Statement of Financing allows two options for computing the values of lines related to changes in unfunded and actuarial liabilities (e.g., lines 13, 19, 20, 21, and 23): Populate based on changes in the liability account or populate using the unfunded expense accounts. DoD elected to populate these lines with the value of unfunded



expenses (USSGL 6800, Future Funded Expenses USSGL 6850, Employer Contributions to Employee Benefit Programs not Requiring Current Year Budget Authority (Unobligated) and USSGL 7600, Changes in Actuarial Liability).

080202. Line Item Instructions. In addition to the narrative below, see the Treasury's Statement of Financing crosswalk for a description of the accounts and attributes applicable to each line item. It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported on the statement lines. Treasury's crosswalk with the detailed general ledger accounts for each statement line can be found at <http://www.fms.treas.gov/ussgl> (Treasury's website). This crosswalk is incorporated into DDRS and can be accessed by selecting the "Query" option from the main DDRS menu, then the "Referential Data" option, and finally the "Report Map" option.

A. Resources Used to Finance Activities - Lines 1 through 11. This section reflects the budgetary resources obligated and other resources used to finance the activities of the agency. The obligations of budgetary resources are net of offsetting collections, recoveries and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

1. Budgetary Resources Obligated

a. Obligations Incurred – (Line 1). This amount shall equal the obligations incurred as reported for the current year on the Statement of Budgetary Resources, line 8. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

★ b. Less: Spending Authority from Offsetting Collections and Recoveries – (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business-type or market-oriented activities and collections from other government accounts (e.g., collections from other Federal agencies for various activities, in which the Department engages, and trust fund and credit program collections). The recoveries of the prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred. This line item will agree with the opposite sign of the spending authority from offsetting collections (line 3) and recoveries (line 4) as reported on the Statement of Budgetary Resources.

★ c. Obligations Net of Offsetting Collections and Recoveries – (Line 3). This line item is the sum of lines 1 and 2.

★ d. Less: Offsetting Receipts (-) – (Line 4). See Chapter 7, paragraph 070202 of this volume for detail information pertaining to offsetting receipts. This line item will agree with the offsetting receipts as reported on the Statement of Budgetary Resources, line 16.

★ e. Net Obligations – (Line 5). This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

★ 2. Other Resources – (Lines 6 - 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position but are not budgetary resources as reported on the Statement of Budgetary Resources or defined as such in OMB Circular No. A-11. The items in this section will agree with the corresponding line items as reported on the Statement of Changes in Net Position.

★ a. Donations and Forfeitures of Property - (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line agrees with the Statement of Changes in Net Position, line 5.A.

★ b. Transfers In/Out Without Reimbursement – (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, Defense Working Capital Fund cash transfers, and the quarterly rollup of disbursements and collections to the component level. Capitalized assets transferred shall be recorded at the book value of the transferring entity. If the book value is not known, the amount recorded shall be the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the Statement of Changes in Net Position line 4.B or appropriated earmarked receipts and expenditure financing sources transferred on line 4.G. This line agrees with the Statement of Changes in Net Position, line 5.B.

★ c. Imputed Financing from Costs Absorbed By Others – (Line 8). This line represents the costs that are paid on behalf of the Department by another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management (OPM) for the Department). This line agrees with the Statement of Changes in Net Position line, 5.C.

★ d. Other – (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line agrees with the Statement of Changes in Net Position, line 5.D.

★ e. Net Other Resources Used to Finance Activities – (Line 10). This line is the sum of lines 6 through 9.

★ 3. Total Resources Used to Finance Activities – Line 11. This line is the sum of lines 5 and 10.

★ B. Resources Used to Finance Items Not Part of the Net Cost of Operations - (Lines 12 – 17). This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period but the budgetary resource and obligation are recognized in the current period (e.g., unfunded environmental liabilities expense accrued in the prior period but funded, obligated, and delivered in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations and on the Balance Sheet but not in net cost of operations for the period).

1. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet – (Line 12). This amount reflects undelivered orders or adjustments thereof, included in net obligations, but are not part of the net cost of operations.

★ a. Undelivered Orders – (Line 12a). Net increases in undelivered orders and upward adjustments of prior year undelivered orders should be subtracted from the net obligations because they have no impact on the entity's net cost of operations. Net decreases in undelivered orders and downward adjustments of prior year undelivered orders should be added. Increases in undelivered orders are shown as negative amounts; decreases are shown as positive amounts.

★ b. Unfilled Customer Orders – (Line 12b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, net increases in unfilled customer orders should be added to net obligations; net decreases in unfilled customer orders should be subtracted. Unfilled customer orders were included in line 2 above.

★ 2. Resources That Fund Expenses Recognized in Prior Periods – (Line 13). This line item reflects the net decrease in future funded liabilities. Net increases in future funded liabilities would be reported on lines 19-24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as "Component Requiring or Generating Resources in Future Periods" (lines 19-24). Examples include decreases in annual leave and environmental clean-up liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

★ 3. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations – (Line 14). This line item reflects offsetting collections and receipts (lines 2 and 4 above) that are not reported as exchange revenue on the Statement of Net Cost. It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in "Total Resources Used to Finance Activities," but are not exchange revenue. Since all offsetting collections and receipts are included in the determination of "Resources Used to Finance Activities" and only exchange revenue is reported on the Statement of Net Cost, this line adjusts

net obligations for the portion of offsetting collections and receipts that is not reported on the Statement of Net Cost. Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue. Amounts on line 14 shall agree with those reported on the Statement of Changes in Net Position as part of financing sources other than exchange revenue.

a. Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections do, however, adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the “Resources Used to Finance Activities” section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the Statement of Budgetary Resources and an expense on the Statement of Net Cost. The collection, however, is reflected as an offsetting collection on the Statement of Budgetary Resources, but reflected as a contra asset or liability on the Balance Sheet.

b. Other transactions generating differences between net obligations and net cost of operations that are reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

★ 4. Resources That Finance the Acquisition of Assets – (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the Statement of Net Cost. Examples include purchases of general property, plant and equipment, and nonfederal securities and investments. Report current-year purchase only. If an entity cannot derive current-year purchases from the change in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized. Two options exist for reporting such losses on the Statement of Financing. The first option is to include the book value on line 15 and exclude the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28). The second option is to include the loss in Components Not Requiring or Generating Resources” (lines 25 through 28) and include the book value less the loss on line 15. Increases in this line are subtracted from net obligations and reflected on the Statement of Financing as a credit balance. Net decreases are reflected as a debit on the statement.

★ 5. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations – (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

★ a. Activity reported on line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB Circular A-11. Therefore, this line adjusts obligations, in the same manner as offsetting collections that are reported on line 2.

★ b. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other – (Line 16b). This line item includes activities not otherwise classified above. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the Statement of Budgetary Resources, but are not a proprietary financing source used to offset costs on the Statement of Net Cost. Other examples include prior period adjustments, transfers of current-year authority and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the Statements of Net Cost or Budgetary Resources. Disclose in note 22 any element of this line that represents more than 10 percent of the value of this line.

★ 6. Total Resources Used to Finance Items Not Part of the Net Cost of Operations – (Line 17). This line is the sum of lines 12 through 16.

★ C. Total Resources Used to Finance the Net Cost of Operations – (Line 18). This line is the sum of line 11 and 17.

★ D. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period – (Lines 19 - 29). This section adjusts total resources used to finance the activities of the entity to account for items that were part of the net cost of operations, but were not included in net obligations. This section includes items in which the expense was recognized in the current period, but the budgetary resource and obligation will be recognized in a future period (e.g., unfunded environmental liabilities expense accrued in the current period that will be funded, obligated, and liquidated in a future period). It would also include current period expenses that affect the net cost of operations, but will not require budgetary resources and obligations in a future period (e.g., depreciation expense).

★ 1. Components Requiring or Generating Resources in Future Periods. The costs of the Federal government are not always funded in the period the costs are incurred. This section identifies items that are recognized as a component of the net cost of operations for the period, but the budgetary resources (and related obligations) will not be provided (or incurred) until a subsequent period.

★ a. Increase in Annual Leave Liability – (Line 19). This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to annual leave. Decreases in annual leave are reported on line 13.

★ b. Increase in Environmental and Disposal Liability – (Line 20). This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to environmental and disposal liability. Decreases in environmental and disposal liability are reported on line 13.

★ c. Upward/Downward Reestimates of Credit Subsidy Expense (+/-) – (Line 21). This line item includes the expense recognized as a result of an upward/downward reestimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. Even though budgetary resources are not provided in the current period, credit subsidy reestimates should be reflected as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further congressional action is needed to provide the resources.

★ d. Increase in Exchange Revenue Receivable from the Public (-) – (Line 22). This line item represents exchange revenue not in the entity’s budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. In accordance with OMB Circular No. A-11, budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the Statement of Net Cost when earned (proprietary accounting). Future collection of public receivables would be considered a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds. Changes in public receivables shall be subtracted as a reconciling item in order to arrive at the net cost of operations on the Statement of Financing. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

★ e. Other – (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment-related liabilities and the Federal Employees Compensation Act (FECA) liability billed to the agency by the Department of Labor for FECA payments that were made on the agency's behalf. It also includes the actuarial present value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work-related deaths, disabilities, or occupational diseases. The Department of Labor computes and provides the actuarial value. Net decreases in these future funded liabilities are reported on line 13. Disclose in note 22 any element of this line that represents more than 10 percent of the value of this line.

★ f. Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods – (Line 24). This line is the sum of lines 19 through 23.

★                   2.       Components Not Requiring or Generating Resources. This section includes items that are recognized as part of the net cost of operations for the period, but will not generate or require the use of resources.

★                   a.       Depreciation and Amortization – (Line 25). This line item includes the depreciation and amortization of assets reflected as a component of the net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

★                   b.       Revaluation of Assets or Liabilities – (Line 26). This line item includes exchange transaction gains and losses recognized during the revaluation of assets or liabilities.

★                   c.       Other – (Line 27). This line item represents items not requiring or generating resources other than depreciation, amortization and revaluation of assets or liabilities.

★                   (1)     Trust Fund Exchange Revenue – (Line 27a). This line item represents undistributed offsetting receipts related to trust funds with exchange revenue. It consists primarily of benefit program revenue and interest revenue generated from the investments.

★                   (2)     Cost of Goods Sold – (Line 27b). Cost of goods sold is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

★                   (3)     Operating Material & Supplies Used – (Line 27c). This line item represents the consumption of operating material and supplies. It is reported in USSGL 6790, Other Expenses Not Requiring Budgetary Resources. It is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

★                   (4)     Other – (Line 27d). This line item includes activities not otherwise classified above. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables and extraordinary items. Disclose in note 22 any element of this line that represents more than 10 percent of the value of this line.

★                   d.       Total Components of Net Cost of Operations That Will Not Require or Generate Resources – (Line 28). This line is the sum of lines 25 through 27.

★                    3.     Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period – (Line 29). This line is the sum of lines 24 and 28.

★                    E.     Net Cost of Operations – (Line 30). This amount is the sum of line 18, “Total Resources Used to Finance Net Cost of Operations” and line 29, “Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period.” This line item will agree with the net cost of operations as reported on the Statement of Net Cost.